



County of Los Angeles
Department of Public Social Services

Bryce Yokomizo
Director

May 8, 2002

TO: Each Supervisor

FROM: Bryce Yokomizo, Director

**SUBJECT: USDA LETTER DATED APRIL 26, 2002 ON FISCAL LIABILITY BASED
ON FOOD STAMP ERROR RATE FOR FEDERAL FISCAL YEAR 2001**

This is to update you on the California Food Stamp error rate and corresponding fiscal liability.

On April 26, 2002, the United States Department of Agriculture (USDA) sent a letter to Governor Gray Davis (attached) which advised that the California Food Stamp error rate for Federal Fiscal Year (FFY) 2001 is 17.37%, as compared to the national average of 8.66%. The USDA further indicated that based on this performance, California is subject to a liability of \$115,755,306, after adjustments were made based on the effects of high proportions of earners and immigrants in California's caseloads. We do not yet know the amount of pass-through to Los Angeles County, but it could be as high as \$88 million.

In FFY 2000, when California was faced with a high error rate, the fiscal liability was mitigated from \$42.4 million to \$11.8 million. As part of a settlement agreement with USDA, the State was allowed to reinvest \$1.45 million into reducing the Food Stamp error rate, of which Los Angeles County's share was \$1 million. If the State's error rate is not at the national average or lower by FFY 2003, the State will be at risk to pay the full \$11.8 million. Los Angeles County's share would be \$8.5 million.

The Department is working aggressively to moderate the fiscal liability for FFY 2001 by: 1) working with CDSS to mitigate the overall amount to the State based on the impact of implementing a system as large as LEADER, 2) working with the other affected counties to lessen fiscal liability to counties, and 3) identifying new corrective action projects.

As was done last FFY, federal regulations allow states the opportunity to settle the sanction and reinvest the sanction amount in new activities that would reduce errors. The State is evaluating all of its options.

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Federal regulations consider certain criteria as a possible basis for relief from liability claims. One that is applicable to Los Angeles County is a change in the Food Stamp Program or other state programs that has a substantial impact on the management of the Food Stamp Program, or program changes that are not common to all states (such as implementation of the LEADER system).

The Department will continue to work with the State to mitigate the current sanction and aggressively pursue the identification of new county error reduction projects to prevent future sanctions. I will keep you apprised of issues related to the Food Stamp error rate and fiscal liability.

BY:ps

Attachment

c: Chief Administrative Officer
County Counsel
Auditor-Controller



United States
Department of
Agriculture

Food and
Nutrition
Service

3101 Park
Center Drive

Alexandria, VA
22302-1800

APR 26 2002

The Honorable Gray Davis
Governor of California
State Capitol, 1st Floor
Sacramento, California 95814

Dear Governor Davis:

This letter notifies you of California's official food stamp overpayment, underpayment and combined error rates for fiscal year (FY) 2001 and addresses California's liability based on the combined error rate. We have determined that California's overpayment error rate was 12.64 percent and its underpayment error rate was 4.73 percent, resulting in a combined food stamp final payment error rate of 17.37 percent for the fiscal year. The national average payment error rate (national performance measure) for FY 2001 was 8.66 percent.

In FY 2001, California issued more than \$1.5 billion in Food Stamp Program (FSP) benefits. Regrettably, more than \$199.9 million were overpayments to which recipients were not entitled and more than \$74.8 million were underpayments where recipients were entitled to more benefits than they received. States whose combined error rates for overpayments and underpayments exceed the national performance measure are subject to a liability, while States with low error rates receive incentive payments to recognize their payment accuracy performance. Since California's combined error rate exceeded the national performance measure, California is subject to a liability of \$138,596,123 based on its FY 2001 error rate performance.

The Department of Agriculture (USDA) applied a factor to reduce the FY 2001 liabilities for all States who had a high proportion of earners and immigrants in their caseloads.

The Honorable Gray Davis

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The net impact of the reduction changes California's FY 2001 liability from \$138,596,123 to \$115,755,306.

The Food Stamp Act of 1977 requires USDA to initiate efforts to collect this amount by establishing a claim against California. Today the Food and Nutrition Service (FNS) is sending to your Secretary a Notice of Claim/Bill for Collection in the amount of \$115,755,306. The Notice of Claim explains how your State may settle or appeal the claim.

I am looking forward to your Secretary's early response to FNS so that improvements in the accuracy and effectiveness of California's FSP may quickly be put in place.

Sincerely,



Bonny O'Neill
Acting Administrator

STATE	FY 2001 TOTAL PAYMENTS	FY 2001 TOTAL FAYMENTS	FY 2001 TOTAL PAYMENTS	FY 2001 TOTAL FAYMENTS	FY 2001 TOTAL PAYMENTS	FY 2001 TOTAL FAYMENTS
CONNECTICUT	7.24	2.62	9.86	5.44	\$225,615	
MAINE	6.92	1.57	8.49	6.52		
MASSACHUSETTS	6.30	2.20	8.50	4.47		
NEW HAMPSHIRE	8.86	1.13	10.99	4.54	\$176,862	
NEW YORK	5.36	3.25	8.61	20.70		
RHODE ISLAND	4.00	1.56	5.56	4.18		\$470,286
VERMONT	9.02	1.93	10.95	5.81	\$188,347	
DELAWARE	6.67	3.34	10.02	2.75	868,189	
DIST. OF COL.	8.48	2.90	11.38	32.44	\$600,934	
MARYLAND	6.83	2.09	8.92	17.00	\$14,895	
NEW JERSEY	6.09	1.88	7.97	6.74		
PENNSYLVANIA	5.66	2.63	8.29	4.37		
VIRGINIA	8.13	2.94	8.07	6.86		
VIRGIN ISLANDS	3.34	1.36	4.70	1.16		\$819,408
WEST VIRGINIA	5.79	1.00	6.78	0.71		
ALABAMA	8.67	1.09	9.76	4.36	\$509,619	
FLORIDA	7.45	2.33	9.80	6.11	\$541,466	
GEORGIA	4.99	1.43	6.42	14.99		
KENTUCKY	5.74	1.79	7.53	3.96		
MISSISSIPPI	2.39	1.08	3.47	3.34		\$4,775,951
NORTH CAROLINA	5.47	0.88	6.35	2.30		
SOUTH CAROLINA	3.43	1.19	4.62	2.28		\$4,392,948
TENNESSEE	5.04	1.18	6.22	7.50		
ILLINOIS	6.87	1.32	8.19	8.89		
INDIANA	4.98	1.88	6.83	3.77		
MICHIGAN	9.82	4.11	13.93	12.50	\$13,920,642	
MINNESOTA	3.63	1.39	5.02	0.87		\$4,680,835
OHIO	6.63	1.85	8.48	7.85		
WISCONSIN	9.26	3.88	13.14	14.16	\$2,887,550	
ARKANSAS	2.64	0.60	3.24	4.18		\$4,312,274
LOUISIANA	4.31	1.48	5.78	1.92		\$1,303,312
NEW MEXICO	5.33	1.31	6.65	0.33		
OKLAHOMA	6.74	1.49	8.23	4.52		
TEXAS	2.71	1.02	3.73	2.49		\$29,356,741
COLORADO	6.76	1.77	8.53	8.82		
IOWA	5.83	1.23	7.05	4.83		
KANSAS	8.78	1.88	10.67	4.23	\$310,199	
MISSOURI	8.14	2.07	10.21	8.39	\$531,495	
MONTANA	6.62	1.54	8.15	6.23		
NEBRASKA	7.10	1.34	8.44	6.70		
NORTH DAKOTA	3.89	2.08	5.96	4.10		
SOUTH DAKOTA	1.82	0.29	2.11	0.68		\$768,456
UTAH	6.85	2.18	9.04	3.92	NONE	
WYOMING	2.14	0.90	3.04	0.83		\$678,387
ALASKA	7.82	1.87	9.69	4.17	\$12,948	
ARIZONA	4.48	1.31	5.79	8.07		
CALIFORNIA	12.64	4.73	17.37	17.84	\$115,755,306	
GUAM	5.80	3.43	9.23	15.86	\$348	
HAWAII	4.79	1.74	6.53	2.78		
IDAHO	4.77	2.64	7.41	3.91		
NEVADA	6.01	1.98	8.00	10.04		
OREGON	8.23	1.52	9.76	7.41	\$20,070	
WASHINGTON	6.47	2.06	8.53	8.59		

1/ Based on data available as of 4/28/02. Due to rounding the payment error rate may not always equal the sum of the overpayment and underpayment error rate.

2/ Amount of liabilities adjusted to take into account the effect of high proportions of earners and immigrants.

3/ Adjustment for earners and immigrants resulted in a \$0 liability for Utah.

Run Date:
4/28/02